

Indiana

Department of Local Government Finance



Committed to a fair and equitable property tax system for Hoosier taxpayers.

Association of Government Accountants Meeting

Tim Rushenberg, Commissioner

January 8, 2009



Who is the DLGF and what do they do?

- Commissioner Timothy J. Rushenberg
- Communications Division
- Assessment Division
 - Promotes consistent assessing procedures across the state by providing guidance and technical instruction and securing compliance with law to ensure fair and equitable assessment of property for taxpayers
- Budget Division
 - Works closely with local officials in preparing their annual budgets and provides recommendations to the Commissioner on matters related to budgets, rates, levies, exceptions to property tax controls and taxpayer exceptions to tax rate increases
- Operations Division
 - Researches and analyzes all areas of property taxation to ensure the fair and equitable distribution of the property tax burden



Who is the DLGF and what do they do?

- Ensures property tax assessment and local government budgeting follow Indiana law.
- Publishes property tax assessment rules
- Annually reviews and approves tax rates and levies of every political subdivision including all counties, cities, towns, townships, school corporations, libraries and other entities with tax levy authority
- TOP PRIORITY: ON TIME PROPERTY TAX BILLING – a joint effort with local county officials



Who is the DLGF and what do they do?

- Core Values
 - Put taxpayers first.
 - Respect local control.
 - Expect excellence in all that we do.



How does trending work?

- **Trending** (*i.e. price adjustment*)

A way of assessing the value of real estate. Assessors research sales of properties in a particular area over the previous two years. Using that information, assessors estimate the values of other properties in the same area to determine an assessed value.

- In the past, assessed values were adjusted only after a reassessment, which came as far apart as 10 years. Trending now occurs every year.



How does trending work?

	Property Sales														
	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Tax Year															
2009 Pay 2010													2009 Pay 2010		
2008 Pay 2009												2008 Pay 2009			
2007 Pay 2008											2007 Pay 2008				
2006 Pay 2007 (3)										2006 Pay 2007 (3)					
2005 Pay 2006						No Sales from these years used; No change to 2001 Pay 2002 Values									
2004 Pay 2005															
2003 Pay 2004															
2002 Pay 2003 (2)				2002 Pay 2003 (2)											
2001 Pay 2002		Market Value did not apply; no change in values until 2002													
2000 Pay 2001															
1999 Pay 2000															
1998 Pay 1999															
1997 Pay 1998															
1996 Pay 1997															
1995 Pay 1996 (1)	1995 Pay 1996 (1)														

NOTES:

(1) Reassessment
(2) First use of Market Value
(3) First Annual Trending



How does trending work?

- Each year, the assessed value is multiplied by a neighborhood factor.
- Values can go up. . .

2008 assessed value:	\$100,000
Neighborhood factor:	<u>x 1.1</u>
2009 assessed value:	\$110,000



How does trending work?

- Each year, the assessed value is multiplied by a neighborhood factor.
- Values can go up. . .
...or down.

2008 assessed value:	\$100,000
Neighborhood factor:	<u>x 0.9</u>
2009 assessed value:	\$90,000



HEA 1001 Property Tax *Relief*

1. 2008: Homestead relief (\$870 million)
2. 2009: New homestead credit (\$140 million for 2009 and \$80 million for 2010)
3. 2009: State picks up local levies (\$3 Billion)
4. 2009 and beyond: 1-2-3 caps on property taxes

**NET TAX CUT =
\$600+ Million**





HEA 1001 Property *Safety Net*

1. \$120 million for schools in 2009, 2010
 - 2% threshold
 - Additional referendum levy to modify caps
2. Increases “Rainy Day Fund” (\$84 million)
3. Distressed Unit Appeals Board
 - 5% property tax revenue reduction threshold
4. 2% maximum annual tax bill increase for seniors
 - Making < \$30,000 (single) or \$40,000 (joint) with assessed value of \$160,000 or less



HEA 1001: 1-2-3 Caps

Property Class	2008	2009	2010 (and after)
• Homestead	2%	1.5%	1%
• Residential property	----	2.5%	2%
• Agricultural land	----	2.5%	2%
• Long-term care property	----	2.5%	2%
• Non-residential real property	----	3.5%	3%
• Personal property	----	3.5%	3%



HEA 1001: Local Tax *Control*

- Property Tax Relief:
 - May provide additional homestead credits or property tax replacement credits
 - Counties may adopt without another LOIT
- Public Safety
 - May be used for any public safety costs as defined by IC 6-3.5-1.1-25
 - Allocated to “municipalities”
 - Must be in addition to tax relief *or* levy freeze rate
- Levy Freeze
 - Funds growth in maximum levies for all funds



How many local option income taxes are there, and how do they work?

- **CAGIT** (County Adjusted Gross Income Tax)
 - Funds Local Property Tax Replacement Credits (LPTRC) and certified shares
 - LPTRC are used by all government units for property tax relief
 - Certified shares are used only by civil taxing units for additional property tax relief and for general government purposes
- **COIT** (County Option Income Tax)
 - Can replace property tax revenue lost by taxing units and school corporations due to the allowance of an increased homestead credit
 - Can fund the operation of public communications systems and computer facilities districts
 - Can fund the operation of public transportation corporations
 - Can finance certain economic development project bonds
 - In Marion County, can fund certain redevelopment initiatives
 - Can be used to make allocations of distributive shares to civil taxing units



How many local option income taxes are there, and how do they work?

- **CEDIT** (County Economic Development Income Tax)
 - Used for economic development projects or hazardous waste cleanup in certain counties
 - Counties with CAGIT and COIT, may use CEDIT revenues for capital projects.
 - A portion of revenues may be used to provide additional Homestead Credits up to the total amount of the residential tax shift in the county resulting from a 100% inventory deduction.



How many local option income taxes are there, and how do they work?

- LOIT (Local Option Income Tax)
 - LOIT to Freeze Property Tax Levy
 - Provide property tax relief to all taxpayers
 - Provide property tax relief to all qualified residential taxpayers
 - Provide homestead credits to all homesteaders
 - Provide any combination of the above
 - LOIT for Property Tax Relief
 - Same as CAGIT or COIT
 - LOIT for Public Safety
 - Same as CAGIT or COIT



Distressed Unit Appeals Board

1. Purpose

1. Revenue relief to taxing units with 5% or greater tax cap impact
2. Receive, review and make recommendations
 - Including the proposed financial plan
 - May consider any factor considered relevant

2. Relief DUAB May Grant:

1. Increase the cap percentage
2. Reduce the circuit breaker credit
3. Exempt debt from circuit breaker calculation



Personal Property

- Updated draft rule posted on Web site
 - [www.in.gov/dlgf/files/DRAFT_2009_Personal Property Rule.pdf](http://www.in.gov/dlgf/files/DRAFT_2009_Personal_Property_Rule.pdf)
 - Additional edits being made and to be posted soon
 - Comments welcome now
 - Rule revision highlights
 - Removal of inventory reporting
 - Form elimination, revisions
 - New explanatory sections on Economic Revitalization Areas and Enterprise Zone Investment deductions



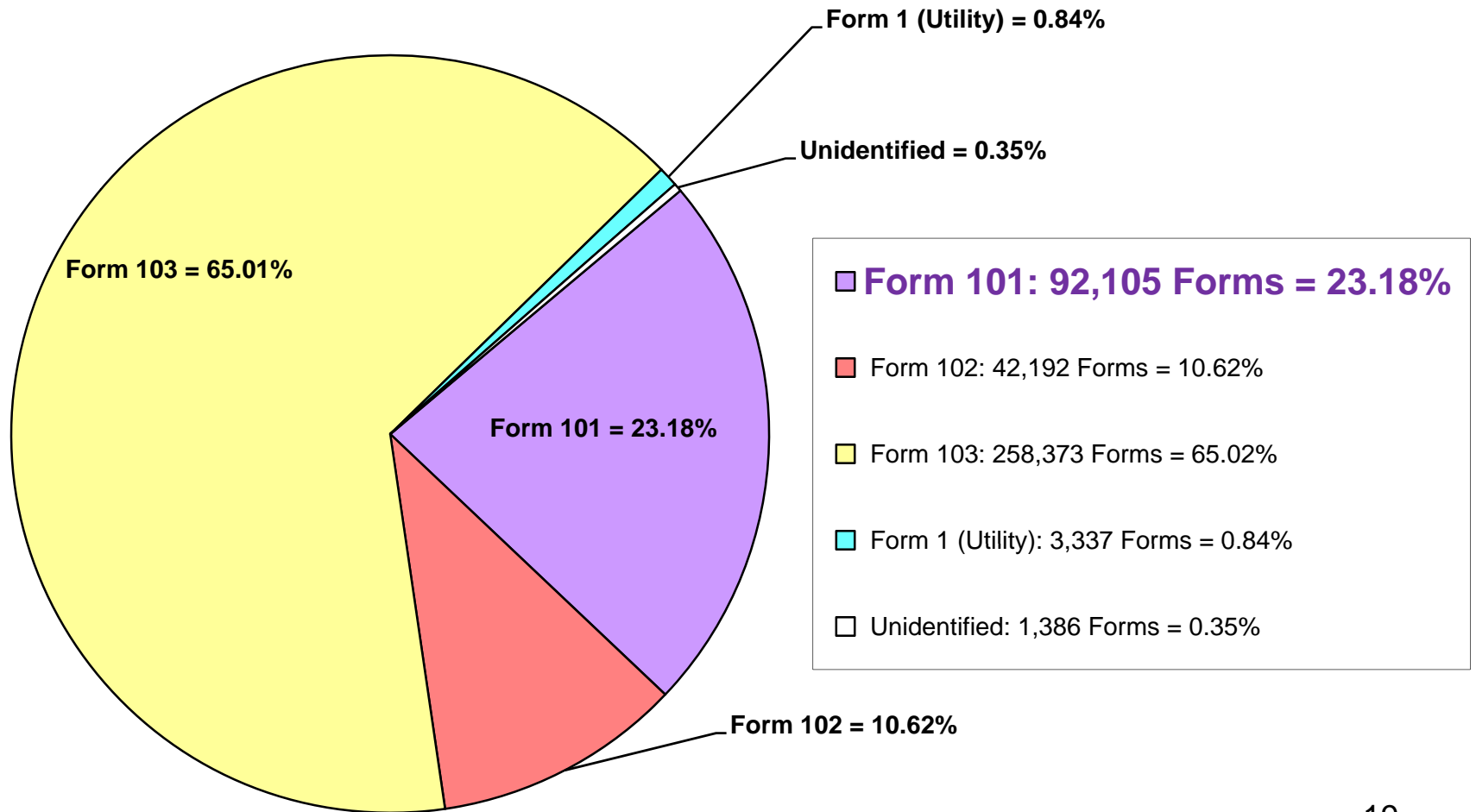
Form 101

- Tax eliminated (effective Jan. 1, 2009)
 - All Terrain vehicles
 - Snow mobiles
 - Human powered boats
 - Yard and garden tractors
 - Motorized wheel chairs
 - Golf carts
- Tax transferred to excise tax and collected at Bureau of Motor Vehicles (effective 2010)
 - Recreational vehicles
 - Truck campers



Elimination of Form 101

Percentage of Actual Forms Filed





2007 pay 2008 Tax Comparison Statement

http://www.in.gov/dlgf/files/Sample_TS-1.pdf - Windows Internet Explorer

http://www.in.gov/dlgf/files/Sample_TS-1.pdf

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STATE FORM 53569 (4-06)
APPROVED BY STATE BOARD OF ACCOUNTS, 2006

TREASURER FORM TS-1A
PRESCRIBED BY THE DEPARTMENT OF LOCAL GOVERNMENT FINANCE IC 6-1.1-22-8.1

SPECIAL MESSAGE TO PROPERTY OWNER

Due to recent property tax legislation, taxes for most homeowners have decreased substantially compared to last year. These reductions result from a large increase in state property tax relief (see line 3a below) passed by the General Assembly in March 2008. This legislation also put in place tax caps for all classes of property starting in 2009. Many homeowners will receive a second tax cut when these caps take effect.

HOW YOUR PROPERTY TAX BILL IS CALCULATED

DATE OF NOTICE FOR 2007 PAY 2008 TAXES Notice Date 1. PROPERTY NUMBER (STATE/LOCAL) 1-Property Num State/Local

This notice from the County Treasurer provides additional information about your property taxes. The information provided below includes a breakdown of taxing authority and exemptions applied to your 2008 property taxes. Please forward any comments you may have on the content of this notice in writing to the County Treasurer, (address, street, city, state, zip) or via e-mail to (e-mail address).

2. TAXING DISTRICT	3. NAME AND ADDRESS OF TAXPAYER	4. PROPERTY DESCRIPTION AND ADDRESS
2a-Tax District	3a-Name of Taxpayer 3b-Address of Taxpayer 3c-Address of Taxpayer 3d-City, State Zip Code	4a-Legal Description 4b-Property Address

TABLE 1: SUMMARY OF YOUR TAXES

5. TAX SUMMARY ITEM	6. LAST YEAR 2006 PAY 2007 TAXES	7. THIS YEAR 2007 PAY 2008 TAXES
1. Gross assessed value of property	\$120,000.00	\$120,000.00
1a. Minus deductions (see table 4 deductions below)	(\$48,000.00)	(\$48,000.00)
2. Equals subtotal of net assessed value of property	\$72,000.00	\$72,000.00
2a. Multiplied by your local tax rate	0.023731	0.024181
3. Equals gross tax due (see table 2 below for details on distribution)	\$1,708.64	\$1,741.06
3a. MINUS STATE PROPERTY TAX RELIEF	(\$560.78)	(\$1,033.64)
3b. Minus Local tax relief	\$0.00	\$0.00
3c. Minus savings due to property tax cap	\$0.00	\$0.00
4. Total property tax due for current year	\$1,147.86	\$707.42
4a. Plus other charges (see table 3 other charges below)	\$25.00	\$25.00
4b. Plus current year overdue taxes	\$0.00	\$0.00
4c. Plus prior year overdue taxes	\$0.00	\$0.00
4d. Minus payments made	(\$1,182.88)	\$0.00
5. Total tax due plus all other charges	\$0.00	\$732.42

2008 AMOUNT DUE \$732.42

TABLE 2: GROSS PROPERTY TAX DISTRIBUTION RATES AND AMOUNTS APPLICABLE TO THIS PROPERTY

8. TAXING AUTHORITY	9. LAST YEAR RATE	10. THIS YEAR RATE	11. LAST YEAR TAX	12. THIS YEAR TAX	13. TAX DIFFERENCE	14. PERCENT DIFFERENCE
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2007 pay 2008 Tax Comparison Statement

http://www.in.gov/dlgf/files/Sample_TS-1.pdf - Windows Internet Explorer

http://www.in.gov/dlgf/files/Sample_TS-1.pdf

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TABLE 2: GROSS PROPERTY TAX DISTRIBUTION RATES AND AMOUNTS APPLICABLE TO THIS PROPERTY

8. TAXING AUTHORITY	9. LAST YEAR RATE	10. THIS YEAR RATE	11. LAST YEAR TAX	12. THIS YEAR TAX	13. TAX DIFFERENCE	14. PERCENT DIFFERENCE
State	0.000024	0.000024	\$1.73	\$1.73	\$0.00	0.00%
County	0.005553	0.005654	\$399.82	\$407.09	\$7.27	22.42%
Township	0.001630	0.001658	\$117.36	\$119.38	\$2.02	6.23%
School District	0.015188	0.015483	\$1,093.54	\$1,114.78	\$21.24	64.52%
City	0.000000	0.000000	\$0.00	\$0.00	\$0.00	0.00%
Museum	0.000017	0.000018	\$1.22	\$1.30	\$0.08	0.25%
Health	0.000183	0.000186	\$13.17	\$13.39	\$0.22	0.68%
Library	0.001119	0.001140	\$80.57	\$82.08	\$1.51	4.66%
Airport	0.000000	0.000000	\$0.00	\$0.00	\$0.00	0.00%
Parks	0.000017	0.000018	\$1.23	\$1.31	\$0.08	0.25%
Total Rate or Tax	0.023731	0.024181	\$1,708.64	\$1,741.06	\$32.42	100.00%

TABLE 3: OTHER APPLICABLE CHARGES TO THIS PROPERTY

15. LEVYING AUTHORITY	16. AMOUNT 2007	17. AMOUNT 2008
Legal Tile Drain	\$25.00	\$25.00

TABLE 4: DEDUCTIONS APPLICABLE TO THIS PROPERTY

18. TYPE OF DEDUCTIONS (I)	19. AMOUNT 2007	20. AMOUNT 2008
Mortgage	\$3,000.00	\$3,000.00
Homestead	\$45,000.00	\$45,000.00

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2008 pay 2009 Homestead Deductions and Cap Calculations

	<u><i>Pay 2008</i></u>	<u><i>New Law (for pay-2009)</i></u>
Gross AV	\$100,000	\$100,000
Standard Deduction	(\$45,000)	(\$45,000) *
Supplemental Deduction	N/A	(\$19,250) ** [35% of \$55,000]
Net Taxable AV	\$55,000	\$35,750
Tax Rate per \$100 of AV	\$2.50	\$2.50
Gross Tentative Tax	\$1,375	\$894
Circuit Breaker Cap	\$0 ***	\$1,500
Net Tax After Circuit Breaker	\$1,375	\$894
Circuit Breaker Savings	\$0	\$0



2008 pay 2009 Homestead Deductions and Cap Calculations

	<i><u>Pay 2008</u></i>	<i><u>New Law (pay-2009)</u></i>
Gross AV	\$1,500,000	\$1,500,000
Standard Deduction	(\$45,000)	(\$45,000)*
Supplemental Deduction 35% of AV net of standard deduction up to \$600,000	N/A	(\$210,000)** [35% of \$600,000]
Supplemental Deduction 25% of AV net of standard deduction over \$600,000	N/A	(\$213,750) [25% of \$855,000]
Net Taxable AV	\$1,455,000	\$1,031,250
Tax Rate per \$100 of AV	\$2.50	\$2.50
Gross Tentative Tax	\$36,375	\$25,781
Circuit Breaker Cap	\$0***	\$22,500
Net Tax After Circuit Breaker	\$36,375	\$22,500
Circuit Breaker Savings	\$0	\$3,281



How many property tax deductions/credits are available?

- Homestead Standard Deduction
- Supplemental Homestead Deduction
- Mortgage Deduction
- Over 65 Deduction
- Over 65 Circuit Breaker Credit
- Blind or Disabled Deduction
- Disabled Veteran Deduction
- Veteran with Service Connected Disability Deduction
- Veteran of World War I Deduction
- Surviving Spouse of WWI Veteran Deduction



How many property tax deductions/credits are available?

- Environmental Deductions
 - Solar Energy Heating/Cooling Systems Deduction
 - Wind Power Device Deduction
 - Hydroelectric Power Device Deduction
 - Geothermal Device Deduction
- Rehabilitated Residential Real Property Deduction
- Rehabilitated Property Deduction
- Resource Recovery System Deduction
- Coal Conversion System Deduction
- Use of Coal Combustion Products Deduction
- Improvements to Comply with Fertilizer or Pesticide Storage Deduction
- Real Property Located in Enterprise Zone Deductions



Capital Projects Referenda

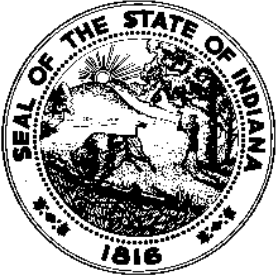
- Applies to projects greater than
 - \$10 million (K-8 school)
 - \$20 million (high school)
 - \$12 million (local government project or other non-academic school project)
- Memo: [http://www.in.gov/dlgf/files/Memo-Petition and Remonstrance and Referendum Process.pdf](http://www.in.gov/dlgf/files/Memo-Petition%20and%20Remonstrance%20and%20Referendum%20Process.pdf)
- Flowcharts: www.in.gov/dlgf/4988.htm





Sales Disclosures

- Electronic filing now available
- Central database, Web portal
- Public access to all sales after July 1, 2008
 - <http://www.stats.indiana.edu/sdf/search/>
- 40,654 SDFs filed online since July 1, 2008

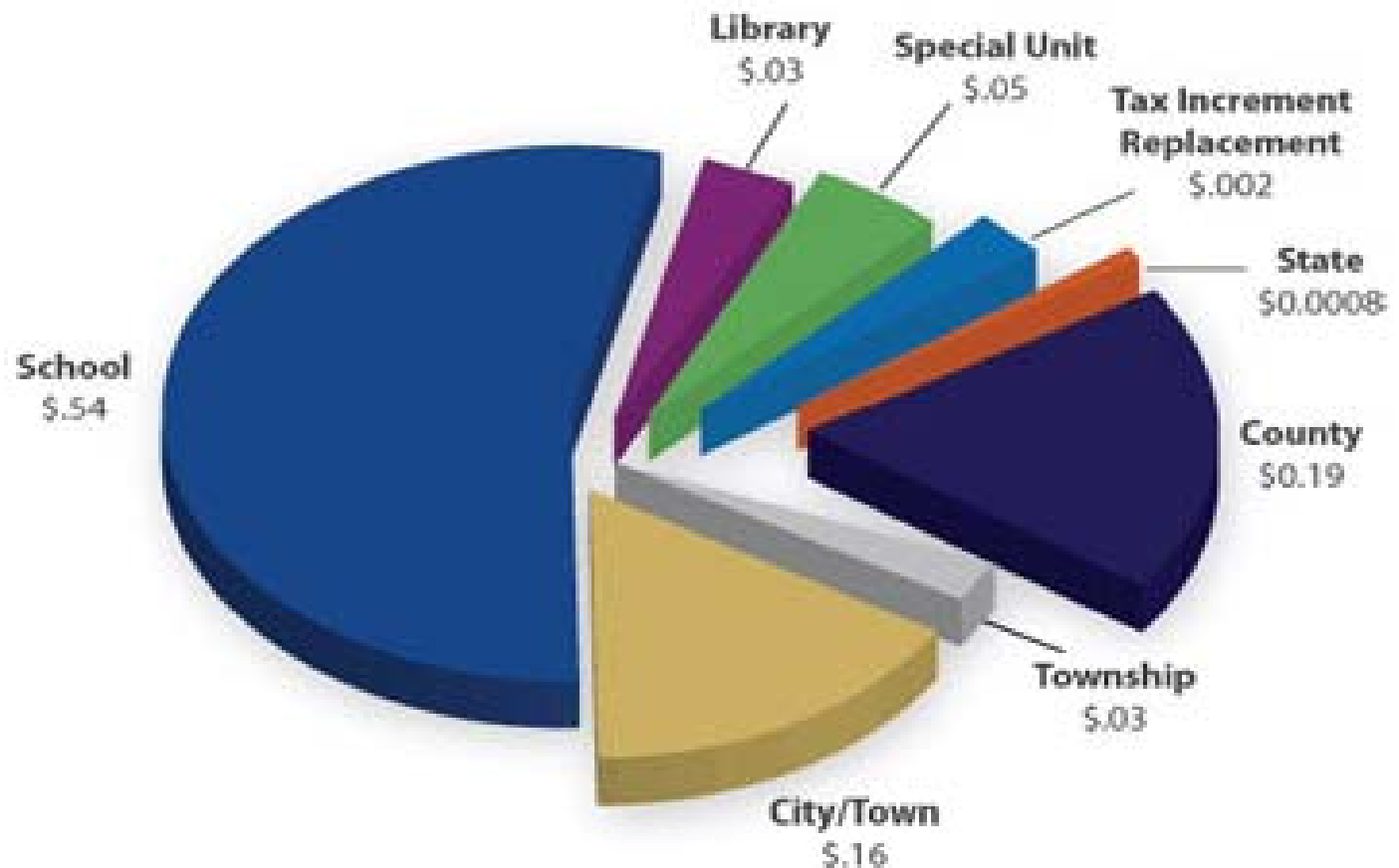


Government Modernization Act

- Indiana Code 36-1.5
- <http://www.in.gov/legislative/ic/code/title36/ar1.5/ch1.html>
- Allows political subdivisions to reorganize for efficiencies.
 - Zionsville – Eagle and Union Townships
 - Greenwood – Bargersville – White River Township



Where do my Tax Dollars Go



STATEWIDE AVERAGE REVENUE DISTRIBUTION OF EACH PROPERTY TAX DOLLAR

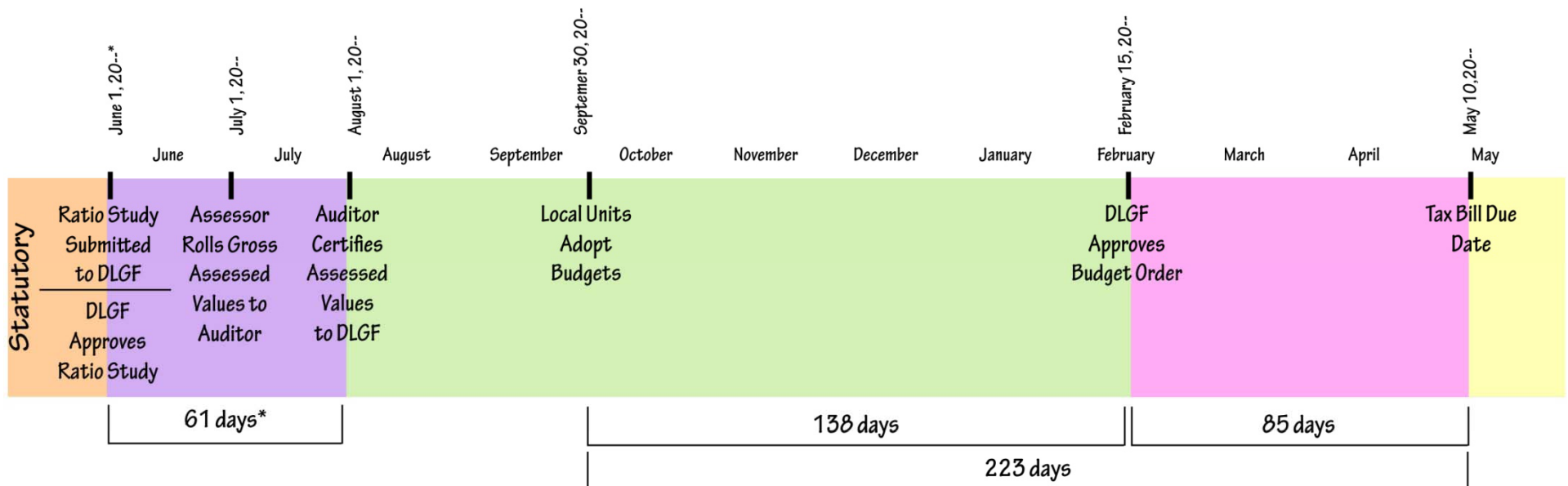
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Source: 2006 Data - Indiana Department of Local Government Finance Local Government Database.



How should the process work?

Comprehensive Assessment and Budget Timeline



*Not a statutory deadline
Department of Local Government Finance
November 25, 2008



2009 Budget Certification Status

Status Maps:

<http://www.in.gov/dlgf/6827.htm>

2008 pay 2009 Budget Certification Status Map

Indiana Counties

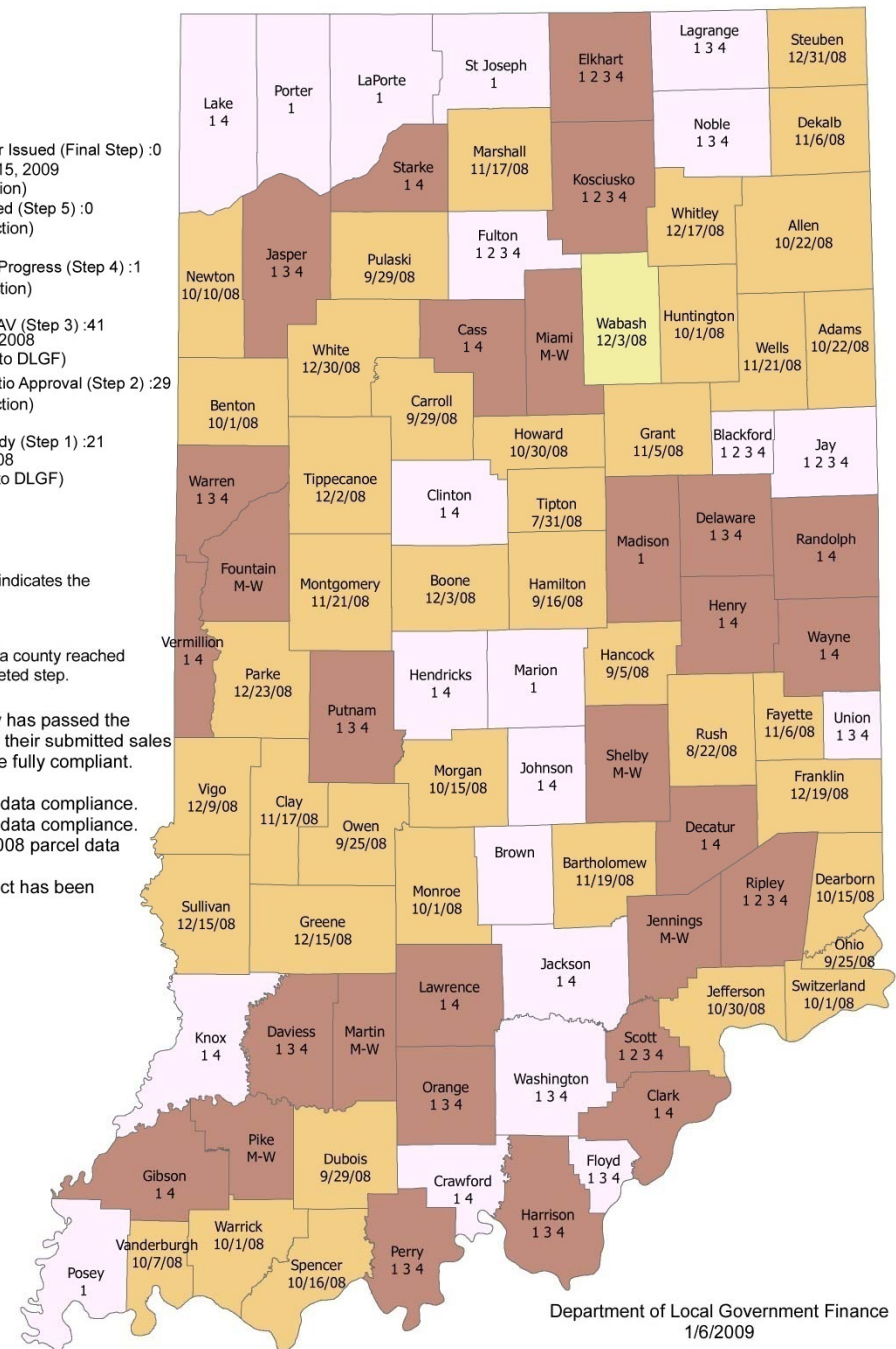
- Final Budget Order Issued (Final Step) :0
Due February 15, 2009
(DLGF Action)
- 1782 Notices Issued (Step 5) :0
(DLGF Action)
- Budget Review in Progress (Step 4) :1
(DLGF Action)
- Awaiting Certified AV (Step 3) :41
Due August 1, 2008
(Co. Auditor sends to DLGF)
- Awaiting Sales Ratio Approval (Step 2) :29
(DLGF Action)
- Awaiting Ratio Study (Step 1) :21
Due Spring 2008
(Co. Assessor sends to DLGF)

NOTE: The current color indicates the previous step has been completed or approved.

A date indicates the date a county reached their most recently completed step.

M-W indicates a county has passed the Mann-Whitney test and their submitted sales and parcel data sets are fully compliant.

- 1 indicates 2006 Sales data compliance.
- 2 indicates 2007 Sales data compliance.
- 3 indicates 2007 pay 2008 parcel data compliance.
- 4 indicates 2008 abstract has been completed.



Department of Local Government Finance
1/6/2009



2011 pay 2012 Real Property Rule

- Adopted June 12, 2008
 - www.in.gov/dlgf/files/Adopted_2011RealPropertyAdministrative_Rule_50_IAC_2.4.pdf
- So what's new?
 - No change!
- Assessors already using market value on property frequently bought and sold
- Market value in use for “special purpose properties”
 - Not frequently bought or sold



Property Tax Appeals

- Appraisal is not required to appeal
 - Considered “best evidence”
- DLGF Appeals Information
 - Appeals Web page: www.in.gov/dlgf/2508.htm
 - Appeals Flow chart:
www.in.gov/dlgf/files/AppealsProcessFlowchart.pdf
- Indiana Board of Tax Review Information
 - Web site: www.in.gov/ibtr/



Looking Ahead

- Kernan-Shepard
 - 27 recommendations
- Constitutional caps
 - 2010 ballot if passed by 2009 General Assembly
- More public projects on ballot
- Greater certainty for tax bills
 - More timely tax bills
 - Property tax caps take effect for 2009
- Belt tightening statewide



Contact the Department

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 - **Fax: 317.232.8779**
 - **E-mail: trushenberg@dlgf.in.gov**
- **Web site: www.in.gov/dlgf**
 - **“Contact Us”: www.in.gov/dlgf/2338.htm**